

# Whitestown, IN Bonds Upgraded To 'AA+' From 'AA' On Stronger Financial Management; Outlook Stable

December 7, 2021

SALT LAKE CITY (S&P Global Ratings) Dec. 7, 2021--S&P Global Ratings raised its long-term rating on the Town of Whitestown, Ind.'s ad valorem tax-secured outstanding bonds one notch to 'AA+' from 'AA'. At the same time, S&P Global Ratings assigned its 'AA+' long-term rating to the town's \$16 million lease rental multipurpose refunding revenue bonds series 2021B, issued by Whitestown Redevelopment Authority, on behalf of Whitestown. The outlook on all bonds is stable.

"The one-notch upgrade reflects our view of sustained improvements in the town's management practices and policies, ongoing tax base and population growth, and consistently positive operating results," said S&P Global Ratings credit analyst Anna Uboytseva.

Officials will use the proceeds from the 2022 bonds to refund 2016 bonds for interest-cost savings. The ad valorem property tax levy securing rental payments is not subject to annual appropriation under Indiana law, and the lease terms cover the life of the bonds. However, there is abatement risk because the town is required to abate lease rentals in the event the leased premises are not available for use. An addendum to the lease contains a provision that requires the leased asset (roads) to be replaced with a different leased asset if it becomes unusable, which, in our view, mitigates the risk. The leased premise only consists of roads that are already complete; as a result, there is no construction risk or requirement for the fire station to be finished before lease payments can be made.

The ad valorem property tax pledge is subject to state circuit-breaker legislation, which caps the property tax burden for taxpayers based on a percentage of the real estate parcels' gross assessed value (AV). This can, and often does, reduce the total tax levy. The levy to cover debt service, however, is statutorily protected, allowing the town to distribute circuit-breaker losses first across nondebt-service funds that receive property taxes. We rate the debt at the same level as our view of Whitestown's general creditworthiness, reflecting our opinion that there are no significant limitations on general resource flexibility.

The bonds are also secured by tax-increment revenues from the town's Perry Industrial Park Area. Whitestown is foregoing the ad valorem tax pledge, and instead uses anticipated tax-increment revenue receipts to fund debt service. The town reviews its tax levy certification in the fall and makes the decision to levy the ad valorem tax or not based on the tax-increment levy being sufficient to cover debt service.

The town also has existing ad valorem tax-secured debt with a dual pledge of tax-increment revenues. In each case of a dual revenue stream, we rate to the ad valorem tax security.

Whitestown's economic and financial profiles are well above average. Town officials continue to demonstrate financial discipline while positioning Whitestown to address identified challenges of a growing municipality.

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## **Whitestown, IN Bonds Upgraded To 'AA+' From 'AA' On Stronger Financial Management; Outlook Stable**

The 'AA+' rating reflects the following factors for Whitestown:

- It is one of the fastest growing locales in the state, with a solid and improving economy;
- Growing revenues support the town's budget and contribute to healthy reserves and liquidity;
- Very strong financial management focused on long-term planning also supports the town's strong credit profile; and
- A very weak debt profile, with high debt relative to budget and population and a strong instruction framework score.
- We could lower the rating if growth or other pressures result in deficit budgets or just lower reserves relatively to the budget size, holding all else equal.

We could raise the rating, assuming all other factors remain solid or improve, as the town starts following generally acceptable accounting principles, if debt levels moderate and reserves remain the same or improve.

### **RELATED RESEARCH**

- Through The ESG Lens 2.0: A Deeper Dive Into U.S. Public Finance Credit Factors, April 28, 2020
- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Alternative Financing: Disclosure Is Critical To Credit Analysis In Public Finance, Feb. 18, 2014
- Criteria Guidance: Assessing U.S. Public Finance Pension And Other Postemployment Obligations For GO Debt, Local Government GO Ratings, And State Ratings, Oct. 7, 2019
- 2021 Update Of Institutional Framework For U.S. Local Governments

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